

## **FISCAL NOTE**

### **SB 3689 - HB 3709**

March 16, 2006

**SUMMARY OF BILL:** Authorizes a job tax credit of \$4,500 for each net new full-time employee job created for any qualified business enterprise (QBE) located in federally designated empowerment zones.

#### **ESTIMATED FISCAL IMPACT:**

**Other Fiscal Impact - The fiscal impact of this bill is dependent upon an unknown number of business enterprises that could become QBEs in the future, and the unknown number of jobs each would create in the process. As a result, determining a precise fiscal impact for this bill is very problematic. However, to the extent one business enterprise becomes a QBE in the future, and this QBE creates the minimum (25) net new full-time jobs required, the amount of state revenues forgone would be \$62,500. In addition, if ten business enterprises become QBEs in the future, and each creates an average of 250 net new full-time jobs, the amount of state revenues forgone would be \$6,250,000. State revenues forgone as a result of this bill may possibly be offset by increases to revenues that would be generated through residual economic effects, but any such effects are not sufficiently measurable to be included in the quantifiable fiscal impact of this bill.**

#### Assumptions:

- Currently, the only federally designated empowerment zone in Tennessee is a portion of Knox County.
- Knox County currently does not qualify as an “economically distressed county” for the purpose of a QBE being eligible for \$4,500 job tax credits, which are contingent upon a minimum capital investment of \$500,000 and creating 25 net new full-time jobs.
- Any QBE located in Knox County that meets the above criteria are currently eligible for \$2,000 job tax credits.
- According to the Department of Revenue, there are no franchise and excise taxpayers currently utilizing the \$2,000 job tax credits in the portion of Knox County designated as a federally designated empowerment zone.

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- This bill would create the opportunity to receive *additional* job tax credits equal to \$2,500 ( $\$4,500 - \$2,000 = \$2,500$ ) for any business enterprise that becomes a QBE in the future and they are located within this portion of Knoxville.
- Therefore, the fiscal impact of this bill is dependent upon an unknown number of business enterprises that could become QBEs in the future, and the unknown number of jobs each would create in the process. As a result, determining a precise fiscal impact for this bill is very problematic.
- To the extent one business enterprise becomes a QBE in the future, and this QBE creates the minimum (25) net new full-time jobs required, the amount of state revenues forgone would be \$62,500 ( $\$2,500 \times 25 \text{ jobs} = \$62,500$ ).
- To the extent ten business enterprises become QBEs in the future, and each creates an average of 250 net new full-time jobs, the amount of state revenues forgone would be \$6,250,000 ( $\$2,500 \times 250 \text{ jobs} \times 10 \text{ QBEs} = \$6,250,000$ ).
- This act would take effect on July 1, 2006.

#### **CERTIFICATION:**

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, appearing to read "James W. White". The signature is fluid and cursive, with the first name "James" written in a smaller, more compact script than the last name "White".

James W. White, Executive Director